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Programme budget for the biennium 2010-2011

Proposed programme budget for the biennium 2012-2013

Limited budgetary discretion

Report of the Secretary-General

Summary

The General Assembly, in section III of its resolution 60/283, decided to authorize the Secretary-General, on an experimental basis, a limited discretion for budgetary implementation for the bienniums 2006-2007 and 2008-2009, to enter into commitments up to 20 million United States dollars in each biennium for positions and non-post requirements for the purpose of meeting the evolving needs of the Organization in attaining its mandated programmes and activities. In accordance with the provisions of paragraph 8 of section III of that resolution, it was expected that such discretion would be implemented in accordance with a number of defined principles.

By section III of its resolution 64/260, the General Assembly extended these arrangements for the biennium 2010-2011 and requested the Secretary-General to submit a comprehensive report to the Assembly at its sixty-sixth session, fully addressing the requests made by the Assembly in section III, paragraphs 10 (a) to (d), of resolution 60/283.

The present report is submitted in response to that request. On the basis of the experience of the past three bienniums, the Secretary-General proposes to establish the limited discretionary mechanism with some modifications.

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I. Introduction

1. Following the adoption of the 2005 World Summit Outcome (resolution 60/1) and the reaffirmation by the General Assembly of the role of the Secretary-General as the chief administrative officer of the Organization, in accordance with Article 97 of the Charter of the United Nations, the Assembly requested him to make proposals for its consideration on the conditions and measures necessary for him to effectively carry out his managerial responsibilities. A number of reform proposals had been put forward for consideration by the Assembly, including proposals to make more efficient use of the financial and human resources available to the Organization, and thus better comply with its principles, objectives and mandates.

2. Subsequently, in paragraph 11 of its resolution 60/246, the General Assembly recognized the need for limited discretion in budgetary implementation for the Secretary-General, within defined parameters to be agreed by the General Assembly along with clear accountability mechanisms for its use. In that regard, the General Assembly decided, in section III of its resolution 60/283, to authorize the Secretary-General, on an experimental basis, a limited discretion for budgetary implementation for the bienniums 2006-2007 and 2008-2009, to enter into commitments up to 20 million United States dollars in each biennium for positions and non-post requirements for the purpose of meeting the evolving needs of the Organization in attaining its mandated programmes and activities, subject to defined principles as articulated in paragraph 8 of section III of the same resolution. The discretion is limited to $6 million under the authority of the Secretary-General; any amounts in excess of that level require submission to and approval by the Advisory Committee on Administrative and Budgetary Questions. The Assembly extended these arrangements for the biennium 2010-2011 by resolution 64/260.

3. This discretion was utilized by the Secretary-General over the course of the bienniums 2006-2007 and 2008-2009 and its use reported to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, as required by the Assembly in paragraph 9 of its resolution 60/283, in the context of the related performance reports.

4. Pursuant to paragraph 10 of resolution 60/283, the Secretary-General reported in December 2009 on the limited budgetary discretion and recommended that consideration be given to the continuation of the limited discretion provision as an established procedure, with some modifications to the levels of the discretion (see A/64/562). Specifically, it was proposed that the amount of the discretion be increased to $30 million (from $20 million), and that the amount beyond which the prior concurrence of the Advisory Committee must be sought be increased to $10 million per biennium (from $6 million per biennium).

5. In its report (A/64/7/Add.18), the Advisory Committee noted that the discretion had been authorized by the Assembly on an experimental basis and that its formal establishment as a mechanism, as requested by the Secretary-General, was a policy decision to be made by the Member States. The Advisory Committee also concluded, inter alia, that it had no objection to the continuation of the current arrangements for the exercising of the limited discretionary authority by the Secretary-General for the biennium 2010-2011.

6. The Advisory Committee recommended that the Secretary-General be requested to submit a comprehensive report to the General Assembly at its sixty-sixth session

that would fully address the requests made in section III, paragraphs 10 (a) to (d), of resolution 60/283. In section III, paragraph 2 of its resolution 64/260, the General Assembly endorsed the conclusions and recommendations contained in the report of the Advisory Committee. The present report has been prepared pursuant to the Assembly's request.

II. Purpose of limited budgetary discretion

7. The purpose of limited budgetary discretion is to enable the Secretary-General to carry out his managerial responsibilities more effectively by allowing reallocation of resources that have been approved by Member States for a given biennium in order to meet evolving requirements for which resources are not otherwise available.

8. There are existing arrangements and processes to accommodate various needs that may arise during programme implementation. However, there are cases where discretion is needed across budget sections to address requirements that cannot be met from the resources available within a particular budget section, but that could be met from potential savings in the overall budget. The budgetary discretion provided for under resolution 60/283 is intended to address such cases.

9. The preparation of the programme budget begins with the proposed strategic framework on which the programme budget is based. The strategic framework is submitted in April of the first year of the biennium preceding the budgetary period that it covers. In accordance with the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation (ST/SGB/2000/8), the proposed programme budget is submitted one year later, in April of the second year of the preceding biennium. The time that elapses from preparation to full implementation, therefore, is 44 months for the strategic framework and 32 months for the programme budget.

10. In view of the length of the budget process as described above, there are requirements that will arise following the submission of the proposed programme budget and during the implementation of the approved programme budget. Established mechanisms to address such requirements include the authority to use resources within an existing section of the programme budget and to request the General Assembly's approval to use the contingency fund for additional and expanded mandates adopted by Member States.

11. In addition, the Secretary-General is authorized, under certain conditions and monetary limits, to enter into commitments for activities of an urgent nature relating to the maintenance of peace and security without reverting to the Advisory Committee on Administrative and Budgetary Questions and the Assembly for approval of the required resources.

12. The application of limited budgetary discretion falls outside the parameters of existing mechanisms and does not require additional funds to be made available (no new appropriation) by the General Assembly. Limited budgetary discretion entails the redistribution of resources from "potential" savings during implementation of the programme budget as a whole to budget sections that would not be able to accommodate the requirements from the resources available within that section.

13. The mechanism of limited budgetary discretion allows evolving requirements that cannot otherwise be addressed to be met quickly from the efficient reallocation of available resources. The failure to meet such requirements could negatively impact programme delivery.

III. Review of the elements requested in General Assembly resolution 60/283

14. The premise of the authorization provided by General Assembly resolution 60/283 was that the exercise of limited discretion would not involve a new appropriation, but rather would be offset by savings identified and attained, including through the efficient use and assignment of resources, during the course of each biennium within the authorized appropriation level, as reported in the performance reports. Implementation was expected to be in accordance with nine specific principles as detailed in paragraph 8 of section III of General Assembly resolution 60/283, namely:

(a) The experiment would not be utilized for unforeseen and extraordinary expenses authorized in respect of the maintenance of peace and security;

(b) The experiment would not imply any changes in the human resources management policies of the Organization;

(c) The proposed programme budget would remain the principal instrument in which the Secretary-General sets out the resources and staffing requirements of the Organization, including the requirements for all reform proposals as agreed by Member States;

(d) The experiment would in no way prevent the Secretary-General from requesting additional posts during the course of the experiment;

(e) The experiment would not be implemented in pursuance of General Assembly resolutions calling for the implementation of decisions "within existing resources";

(f) The experiment would not imply any changes to the provisions guiding the use of the contingency fund;

(g) The utilization of authorization would be exercised with the prior concurrence of the Advisory Committee on Administrative and Budgetary Questions when the total amount is in excess of 6 million dollars per biennium;

(h) The experiment would not alter the priorities of the Organization as agreed by the General Assembly; and

(i) The utilization of the funds provided for under the experiment would be subject to the Financial Regulations and Rules of the United Nations.

15. The General Assembly decided in its resolution 60/283 to review the experiment with a view to taking a final decision on its continuation, and requested the Secretary-General to submit a comprehensive report on the implementation of the experiment for its consideration, including the following aspects:

(a) The utilization of the experiment during the course of the two bienniums;

(b) Implications, if any, for the human resources management policies and the Financial Regulations and Rules;

(c) The impact on programme delivery, as well as on the priorities of the Organization as set by Member States;

(d) The criteria used by the Secretary-General to define the evolving needs of the Organization.

16. In accordance with the request of the General Assembly, each of these aspects is addressed below.

A. Utilization of the limited budgetary discretion experiment

17. As required by the General Assembly in resolution 60/283, the use of the limited budgetary discretion granted to the Secretary-General has been reported on in the context of the first and second performance reports for the respective bienniums. In addition, information relating to the bienniums 2006-2007 and 2008-2009 was reported to the General Assembly at its sixty-fourth session (see A/64/562).

18. Over the course of the last three bienniums, the discretion has been utilized for requirements amounting to $29,010,100, of which $8,783,400 relates to the 2006-2007 biennium, $11,320,100 relates to the 2008-2009 biennium and $8,906,600 relates to the 2010-2011 biennium. Comprehensive information on the utilization of the discretion from 2006 to the present is summarized in the table below.

Utilization of the limited budgetary discretionary authority for 2006-2007 through 2010-2011

(In United States dollars)

Use[a]	*2006-2007*[b,c]	*2008-2009*[d]	*2010-2011*[e]	*Total*
Avian influenza pandemic preparedness	5 283 400	—	—	5 283 400
Human influenza pandemic preparedness	—	8 556 100	—	8 556 100
Enterprise resource planning project	—	2 764 000	—	2 764 000
Fire safety at United Nations Headquarters	3 500 000	—	—	3 500 000
Strengthening of the Office of Legal Affairs	—	—	826 600	826 600
Dispute Tribunal	—	—	2 038 200	2 038 200
Strengthening of the Administrative Law Unit in the Office of Human Resources Management	—	—	518 900	518 900
Reconstruction of ECLAC premises[f]	—	—	5 522 900	5 522 900
Total	**8 783 400**	**11 320 100**	**8 906 600**	**29 010 100**

(Footnotes on following page)

(Footnotes to table)

[a] The requirements have been funded through the utilization of savings under various programme budget sections.
[b] No use of the limited budgetary discretion was made in 2006 (see A/64/562, para. 8).
[c] See A/64/562, para. 9.
[d] See A/64/545, para. 28, and General Assembly resolution 63/262, sect. II, paras. 18-20.
[e] To be reported in context of the second performance report for the biennium 2010-2011.
[f] Does not reflect insurance reimbursements of $1,785,000 that were redistributed back to releasing sections.

Utilization for the biennium 2006-2007

19. Owing to the need to establish the criteria for defining evolving needs consistent with the principles set out in resolution 60/283, no use was made of the facility during 2006.

20. In 2007, with the establishment of the modalities (see annex I to the present report), there were a number of instances in which there was recourse to the limited discretion mechanism. As required, these were detailed in the second performance report for the biennium 2006-2007 (A/62/575, paras. 33-38). Notably, budgetary requirements were provided for in two specific instances:

(a) An amount of $5,283,400 was utilized to develop and implement the preparedness plans associated with the virulent strain of avian influenza known as AH5N1, with its potential for a human influenza pandemic, in order to ensure that the United Nations was ready for such a pandemic and that all offices could continue to carry out critical mandates. Those requirements were used to address the integration of business continuity planning for offices in New York, offices away from Headquarters and regional commissions, as well as the coordination of the preparation and implementation of a staff training plan;

(b) In addition, an amount of $4 million was utilized to address fire safety deficiencies identified in the Secretariat building by the New York City Fire Department. Of this amount $500,000 was absorbed from within section 32, Construction, alteration, improvement and major maintenance, of the budget. The concurrence of the Advisory Committee on Administrative and Budgetary Questions was sought to fund the remaining $3.5 million under the limited discretion authority, in accordance with paragraph 8 (g) of section III of resolution 60/283.

21. The redeployment of amounts to address the avian flu pandemic preparedness and fire safety deficiencies at Headquarters is detailed by budget section in table 1 of annex II to the present report.

Utilization for the biennium 2008-2009

22. During the biennium 2008-2009 and as detailed in the first performance report (A/63/573, paras. 35-43) and the second performance report (A/64/545, paras. 26-36), recourse was made to the limited budgetary discretion for two cross-cutting activities:

(a) An amount of $2,764,000 was utilized to address the continued funding of a dedicated project team to maintain the momentum and ensure the progress on major foundation tasks relating to the enterprise resource planning system. In April

2008, the Secretary-General detailed the proposal to implement an enterprise resource planning project for the United Nations (see A/62/510/Rev.1). In its resolution 63/262, the General Assembly approved an amount of $20 million for the project for the biennium 2008-2009 and requested the Secretary-General to meet the regular budget share of requirements for the planning system in the amount of $2,764,000 from the overall resources appropriated for the biennium 2008-2009 for the regular budget and to report the related expenditure, as necessary, in the second performance report for the biennium 2008-2009. Accordingly, the regular budget share was accommodated through the use of the authority granted under resolution 60/283;

(b) An amount of $8,556,100 was allocated for operational preparedness and business continuity in the event of a protracted human influenza pandemic crisis. During the first part of its resumed sixty-third session in March 2009, the General Assembly considered the report of the Secretary-General on revised estimates under various sections of the programme budget for the biennium 2008-2009 relating to business continuity management (A/63/359 and Corr.1). In section III of its resolution 63/268, the General Assembly requested the Secretary-General, inter alia, to submit a fully justified proposal for post and non-post resources in relation to the work under way on business continuity management in the context of the proposed programme budget for the biennium 2010-2011. The Assembly did not, however, approve any resources for the biennium 2008-2009 for activities related to business continuity management. As reported in the first performance report for the biennium 2008-2009 (A/63/573, paras. 37-41), the coordination of activities and preparedness plans for business continuity, including those relating to a potential pandemic, was carried out using the discretionary authority granted to the Secretary-General in resolution 60/283. As no appropriation existed in 2009 for the continuation of activities related to business continuity management, including pandemic preparedness, the mechanism under the terms of resolution 60/283 was used for the continuation of those activities in order to ensure that the offices of the Secretariat in New York and away from Headquarters and the regional commissions would be able to mobilize and maintain critical functions.

23. The redeployment of amounts under the limited discretion mechanism during the biennium 2008-2009 is detailed by budget section in table 2 of annex II to the present report.

Utilization for the biennium 2010-2011

24. During the biennium 2010-2011, as reported in the first performance report (A/65/589, paras. 39-52) and the second performance report (to be issued), the discretionary authority has been utilized to accommodate a number of evolving requirements:

(a) An amount of $2,038,200 was used to fund the extension of the appointments of three ad litem judges of the United Nations Dispute Tribunal and their support staff for the period from 1 July 2010 to 30 June 2011 to clear the existing backlog of cases from the former system of administration of justice. The General Assembly, in its resolution 63/253, acknowledged the need to clear the backlog and decided to appoint three ad litem judges to the United Nations Dispute Tribunal for a period of one year effective 1 July 2009 for that purpose. In a letter dated 8 February 2010 (A/64/664), the Secretary-General requested the President of

the General Assembly to take the necessary action to extend the period of appointment of the ad litem judges and their support staff for a further period of one year. On 29 March 2010, by its decision 64/553, the General Assembly extended the tenure of the three ad litem judges for an additional year beginning on 1 July 2010. Accordingly, resource requirements totalling $2,038,200 have been utilized to fund the extension;

(b) An amount of $518,900 was used to strengthen the Administrative Law Section of the Office of Human Resources Management for the period from 1 July 2010 to 30 June 2011 in order to address the backlog of cases from the former system of administration of justice. During the year prior to the introduction of the new system, the Administrative Law Section was responsible for handling approximately 150 appeal cases. As at 30 June 2010, the Section was responsible for 232 appeals, including cases transferred from the Joint Appeals Boards, the Joint Disciplinary Committees and the United Nations Administrative Tribunal prior to their abolition in 2009. Accordingly, resource requirements totalling $518,900 were used to fund three temporary positions (1 P-4 and 2 P-3) in the Administrative Law Section to address the backlog of cases referred from the United Nations Administrative Tribunal;

(c) An amount of $826,600 was used to strengthen the Office of Legal Affairs for the period from July to December 2010 to deal with the increased workload related to the new system of administration of justice. Experience had shown that an increased workload would result from the higher number of requests for advice and appeals of judgments, orders of the Dispute Tribunal and appeals being filed by staff members, as well as the shorter deadline for filing. During the first six months of the new system (i.e., from 1 July 2009), there were only five appeals by staff members. In 2010, 9 appeals were filed in the month of February alone, followed by 11 appeals in March. Accordingly, in order to handle the increased workload at a sustainable pace, the amount of $826,600 was utilized under the Secretary-General's limited budgetary discretion to provide for temporary resources (six Professional and two General Service (Other level) posts) for a limited duration until the General Assembly considered the report of the Secretary-General on the administration of justice at the United Nations (A/65/373 and Corr.1);

(d) An amount of $5,522,900 was used for the reconstruction and renovation of the premises of the Economic Commission for Latin America and the Caribbean (ECLAC) in Santiago following the February 2010 earthquake. It will be recalled that the Secretary-General had identified budgetary requirements amounting to $7,807,000 to meet expenses related to the relocation from damaged buildings and the reconstruction and renovation of the ECLAC compound. Of that amount, $2,284,100 was absorbed within section 20 (ECLAC) and section 33 (Construction, alteration, improvement and major maintenance) and $5,522,900 was initially allocated under the Secretary-General's limited budgetary discretion to cover costs related to (a) debris removal and minor repair works to existing buildings to assure the safety of staff, visitors and contractors; (b) evaluation and repair, which included the relocation of staff to temporary open office spaces that were not damaged and installation of a temporary office facility to accommodate staff; and (c) reconstruction, including major structural and interior repairs to main buildings, demolition and reconstruction of conference rooms, bathrooms and ancillary space, construction of premises for a permanent food services area, replacement of one

elevator, relocation of local area network rooms, and major repairs to the access control systems and safety systems, including consultancy services. The amount of $5,522,900 has been adjusted in 2011 to reflect the reimbursement of claims totalling $1,785,000 from the insurers.

25. No recourse has been made to the discretionary facility in 2011. Further requirements in 2011 relating to the extension of appointments of the ad litem judges for the United Nations Dispute Tribunal and the strengthening of the Administrative Law Section of the Office of Human Resources Management and the Office of Legal Affairs will be reported in the context of the second performance report. It will be recalled that, although the Secretary-General had asked for regularization of these requirements in his report on the administration of justice at the United Nations (A/65/373 and Corr.1), the General Assembly, in its resolution 65/251, endorsed the recommendation of the Advisory Committee on Administrative and Budgetary Questions in its related report (A/65/557) that temporary arrangements be continued within the approved biennial programme budget, as it was too early to assess what the workload and output of the United Nations Dispute Tribunal and the United Nations Appeals Tribunal would be once the system stabilized.

26. The redeployment of amounts under the limited budgetary discretion provisions to address the above-mentioned organizational needs is detailed by section in table 3 of annex II to the present report.

27. As shown by the pattern of utilization over three bienniums, limited discretionary authority has allowed the Secretary-General to accommodate evolving requirements which, if unmet, posed a risk to programme delivery and in some cases to the safety of individuals, including staff members, delegates and visitors. It is expected that the nature of activities funded by limited budgetary discretion will continue to evolve according to the changing needs and circumstances under which the Organization operates.

B. Implications for the human resources management policies and the Financial Regulations and Rules

28. The nine principles set out by the General Assembly for the exercise of limited budgetary discretion (see para. 14 above) have been applied, including that the use of the funds should imply no change in the human resources management policies of the Organization and should be subject to the Financial Regulations and Rules of the United Nations. Funds allocated under the budgetary discretion mechanism are from within the existing appropriation; as such, the human resources management policies and the Financial Regulations and Rules continue to apply in full for such resources. An analysis of the experience over the past three bienniums shows that the utilization of the discretionary authority has had no implications for the human resources management policies or the Financial Regulations and Rules of the United Nations.

29. In the event that a proposed activity falls within the parameters set by the General Assembly and the criteria established by the Secretary-General for limited budgetary discretion, a detailed review of the vacancy and expenditure performance of the concerned sections is undertaken to determine whether the additional requirements stemming from the initiative can be absorbed. In cases where the

additional requirements cannot be absorbed, a detailed review of the overall vacancy rate and expenditure performance by section is done to determine whether funds can be released under the discretionary mechanism to support the initiative. Funds are only redeployed from those sections that have vacancy rates higher than the budgeted rate, resulting in underutilization of amounts budgeted for posts, and projected low expenditure patterns.

30. Notwithstanding the above, the redeployment of funds from a section does not prevent, delay or otherwise impact recruitment against vacant posts. In cases where limited budgetary discretion is used to fund positions, such positions are established on a temporary basis and the Organization's regulations, rules and human resources management policies apply to such positions. The creation of a temporary position under the discretionary authority in no way precludes the Secretary-General from requesting additional posts.

31. Similarly, the use of funds made available under discretionary authority is subject to the Financial Regulations and Rules and does not hinder the application of established financial and budgetary policies and procedures. Limited budgetary discretion relates to the use of appropriated amounts under the regular budget and, as such, established accountability and reporting requirements apply to the use of such discretion, including reporting in the context of the performance reports.

C. Impact on programme delivery and the priorities of the Organization as set by Member States

32. As indicated above, the nine principles enumerated by the General Assembly in paragraph 8 of section III of resolution 60/283 have been applied in exercising budgetary discretion. Notably, the experiment has in no way altered the priorities of the Organization as agreed by the General Assembly. Conversely, the discretion has allowed the Secretary-General to address evolving requirements which, if left unaddressed, had the potential to negatively impact programme delivery as mandated by Member States.

33. Experience over the past three bienniums indicates that the exercise of the discretionary authority has had a positive impact on programme delivery and the priorities of the Organization as set by Member States. As reflected in section A above, the Secretary-General has managed to meet evolving needs of the Organization through the redeployment of existing funds across budget sections, thereby reducing the need for additional appropriations. At the same time, since the funding of such needs comes from amounts that are underutilized as a result of post vacancies, programme delivery for those sections from which the funding is released is not hampered and the recruitment process in those sections is unaffected.

D. Criteria used by the Secretary-General to define the evolving needs of the Organization

34. As outlined above, the limited budgetary discretion has been used to meet the evolving needs of the Organization in fulfilling its mandated programmes and activities. Specifically, the purpose of the limited budgetary discretion is to allow

flexibility across budget sections to accommodate various needs during programme implementation.

35. The criteria that apply to the evolving needs of the Organization in the context of limited budgetary discretion are as follows:

(a) The proposed activity is in support of the priorities of the Organization;

(b) The required resources are not included in currently approved budgets;

(c) The required resources cannot be accommodated from within the amount appropriated at the budget section level;

(d) The proposed activity does not lend itself to funding by other sources, such as extrabudgetary resources, the contingency fund or under the provisions of unforeseen and extraordinary expenses in respect of the maintenance of peace and security;

(e) The requirements are of a one-time nature (specific to the current biennium). If requirements are of a continuing nature and would continue into a subsequent biennium, provision should be made for continuing costs in budgetary proposals for subsequent periods.

IV. Benefits of the limited budgetary discretion mechanism

36. On the basis of an analysis of the experience over the last three bienniums (2006-2007, 2008-2009 and 2010-2011), the Secretary-General has concluded that there is great value in the limited budgetary discretion mechanism.

37. The discretionary authority has proven beneficial to the Organization in attaining its mandated programmes and activities by addressing requirements relating to business continuity management, including avian and human influenza pandemic preparedness; start-up requirements for the enterprise resource planning project; extension of the appointments of the ad litem judges of the United Nations Dispute Tribunal; the workload related to the new system of administration of justice; the reconstruction of ECLAC; and remediation of fire safety deficiencies identified in the Secretariat building. The mechanism gave the Secretary-General the flexibility to meet these emerging and unanticipated needs in a timely manner within the approved level of appropriations and without negatively affecting mandated programme delivery.

38. The Advisory Committee on Administrative and Budgetary Questions has pointed out that alternative mechanisms exist, with specific conditions, to fund activities that have not been provided for in the programme budget, such as the use of the contingency fund for additional mandates adopted by Member States; the provision for unforeseen and extraordinary expenses in respect of the maintenance of peace and security; transfers between appropriations pursuant to financial regulation 5.6 and financial rule 105.1; commitments against appropriations for future financial periods (financial regulation 5.7 and financial rule 105.2); and the Working Capital Fund (see A/64/7/Add.18, para. 6).

39. Experience has shown that the application of limited budgetary discretion falls outside the parameters of existing mechanisms and does not require additional funds to be made available (no new appropriation) by the General Assembly.

40. The arrangements for the contingency fund, as set out in General Assembly resolutions 41/213 and 42/211, cover requirements that are not included in the proposed programme budget, such as revised estimates and programme budget implications, subject to the approval of the General Assembly.

41. Under General Assembly resolution 64/246, the Secretary-General may enter into commitments in the biennium 2010-2011 to meet unforeseen and extraordinary expenses relating to the maintenance of peace and security, and such commitments as the President of the International Court of Justice certifies relate to Court expenses.

42. The limited budgetary discretion mechanism was beneficial, as an example; in ensuring the continued implementation of business continuity management, including pandemic preparedness activities. Although funding for the continuation of business continuity management was not approved in 2009, in paragraphs 9, 13 and 14 of section III of its resolution 63/268, the General Assembly requested the Secretary-General:

(a) To ensure that lessons learned within the Secretariat for human influenza pandemic preparedness were taken into account as the work on business continuity management was implemented;

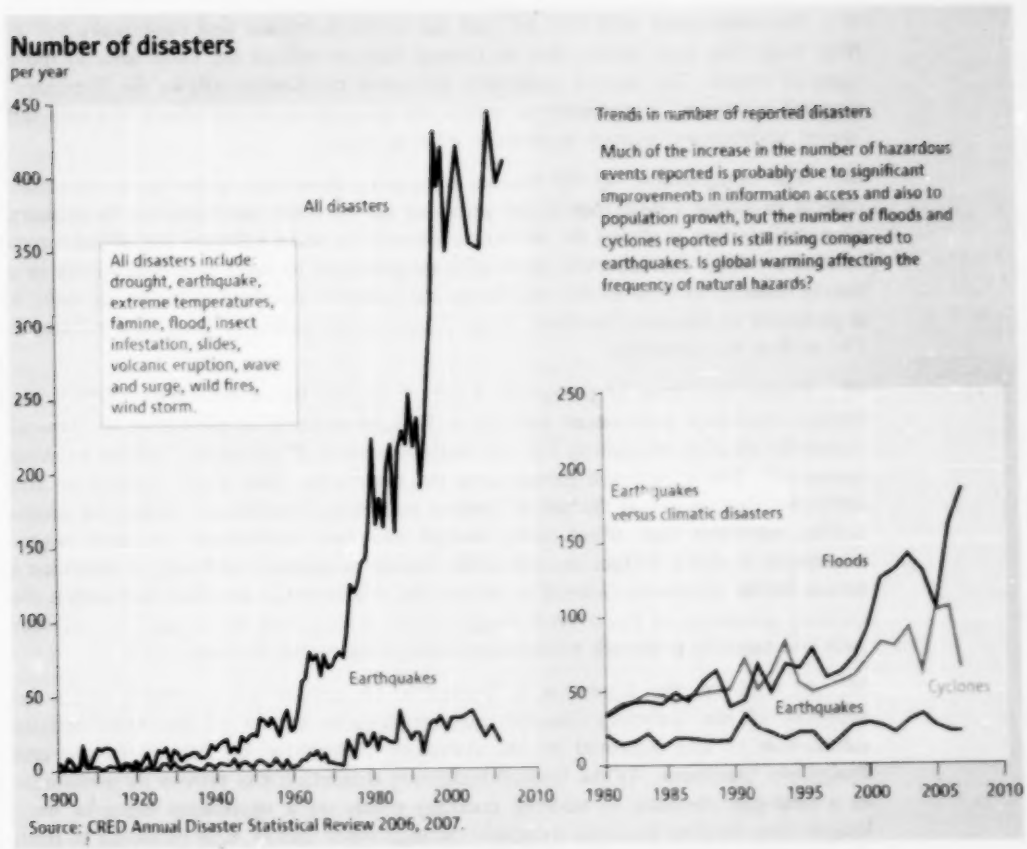
(b) To strive for economies of scale through coordination among organizations within the United Nations system on relevant issues, including the use of backup centres for information and communications technology, the use of consultants, the procurement of specialized equipment and medical supplies and training;

(c) To take all steps necessary to ensure that medical supplies and materials, including vaccines and antibiotics, were procured in compliance with the relevant provisions of General Assembly resolution 62/269.

43. Accordingly, as funding was not approved in 2009, the continued coordination of activities and preparedness plans for business continuity, including in the event of a pandemic, were made possible by recourse to the discretionary mechanism.

44. Experience has also shown that the advantage of limited budgetary discretion in comparison to other mechanisms is the speed with which the evolving needs of the Organization, for which resources are not otherwise available, can be addressed. The mechanism was particularly beneficial in ensuring the safety of individuals, staff, delegates and visitors at Headquarters and of personnel in ECLAC following the earthquake in Chile in February 2010. Accordingly, in situations brought about by natural or man-made events (including fire, flood, earthquake, storm, hurricane, other natural disaster or attack affecting United Nations premises, property or personnel) where the amount required is unpredictable, the mechanism can be utilized to ensure continuity of operations in a safe and secure environment.

45. In this regard, in the past decade the United Nations has experienced an unprecedented number of natural and man-made events that have impacted its operations, such as the earthquakes in Chile and Haiti, and the deeply concerning number of attacks on United Nations premises. Generally, research by the Centre for Research on the Epidemiology of Disasters reveals an exponential increase in natural disasters as reflected in the graph below.



46. According to the statistics compiled by the Centre,[1] the number of reported disasters in 2010 was 385, close to the annual average disaster occurrence between 2000 and 2009 (387). The number of victims increased from 198.7 million in 2009 to 217.3 million in 2010. Economic damages from natural disasters in 2010 were $123.9 billion, over 2.5 times higher than in 2009 ($47.6 billion), and 25.3 per cent higher than the annual average for the period 2000-2009. The regional distribution of disaster occurrence in 2010 resembled the annual average distribution of the last decade, with Asia accounting for 34.8 per cent of all reported disasters, the Americas 25.2 per cent, Europe 18.2 per cent, Africa 17.9 per cent and Oceania 3.9 per cent. Damages from geophysical disasters in 2010 increased by 147.4 per cent compared to the average damages from 2000 to 2009, mainly owing to the earthquakes in Chile, Haiti and New Zealand. Likewise, damages from hydrological disasters increased by 145.1 per cent as a result of the severe floods in China, Pakistan and Australia. The Russian Federation was affected by extreme temperatures, floods and wildfires.

[1] Debby Guha-Sapir et al., *Annual Disaster Statistical Review 2010* (Brussels, Centre for Research on the Epidemiology of Disasters, 2010), available at www.cred.be/sites/default/files/ADSR_2010.pdf.

47. The experience with ECLAC and the recent hurricane and earthquake felt in New York City have shown that all United Nations offices are vulnerable to these types of events. The limited budgetary discretion mechanism allows the Secretary-General to respond immediately to enable the resumption of operations in a safe and secure environment as soon as possible after an event.

48. The continuation of the limited budgetary discretion authority is therefore critical in filling a need that is not provided for by other mechanisms. Its primary advantage is that it allows the Secretary-General to make efficient use of resources available within the approved level of appropriations to meet emerging needs in a timely manner. In view of this and the overall positive outcome of the experiment, it is proposed to increase the limit of the discretionary authority from $20 million to $30 million per biennium.

49. Under the terms of paragraph 8 (e) of section III of resolution 60/283, the limited discretion experiment was not to be implemented in pursuance of General Assembly resolutions calling for the implementation of decisions "within existing resources". The experience gained over the bienniums 2006-2007, 2008-2009 and 2010-2011 suggests that the use of limited budgetary discretion is fitting for cross-cutting activities that affect many budget sections, particularly in cases where absorption within a budget section could impact programme delivery. It provides a means for the Secretary-General to ensure that requirements are absorbed within the existing resources of the overall budget while minimizing the impact on se tions with less capacity to absorb without impacting programme delivery.

50. In addition, the discretion is limited to $6 million per biennium under the authority of the Secretary-General; any amounts in excess of this level require submission to and approval by the Advisory Committee on Administrative and Budgetary Questions. As the limited budgetary discretion has proven its usefulness as a stop-gap measure to address pressing needs on a short-term basis or until longer-term funding becomes available through other means, it is proposed to limit the discretion under the authority of the Secretary-General to $6 million per year, rather than per biennium. Given that the Advisory Committee is not in session during 26 weeks of the biennium, it would be prudent to grant the Secretary-General the authority on an annual basis so that he can meet pressing requirements, such as those arising from natural or man-made events, as necessary.

V. Conclusions and recommendations

51. As outlined in the present report, the use of limited budgetary discretion over the last three bienniums covered a broad range of activities relating to (a) organizational management requirements such as influenza pandemic preparedness, fire code compliance and the start-up of the enterprise resource planning system; (b) requirements relating to the system of administration of justice; and (c) natural or man-made events, such as the earthquake affecting ECLAC.

52. The experience to date with limited budgetary discretion has shown it to be beneficial in that it provides the Secretary-General with the ability to carry out his managerial responsibilities more effectively. Accordingly, the Secretary-General sees great value in establishing the limited budgetary discretion mechanism with some modification.

53. **The General Assembly is requested:**

(a) To take note of the present report;

(b) To approve the permanent establishment of the limited discretion mechanism;

(c) To approve the following modifications:

(i) The provision in paragraph 6 of section III of General Assembly resolution 60/283 would read:

"*Decides* to authorize the Secretary-General a limited discretion for budgetary implementation for each biennium, to enter into commitments up to 30 million United States dollars for positions and non-post requirements for the purpose of meeting the evolving needs of the Organization in attaining its mandated programmes and activities";

(ii) The provision in subparagraph 8 (e) of section III of resolution 60/283 would read:

"The limited discretion shall not be implemented in pursuance of General Assembly resolutions calling for the implementation of decisions 'within existing resources' except in cases where activities are of a cross-cutting nature, affecting many budget sections";

(iii) The provision in subparagraph 8 (g) of section III of resolution 60/283 would read:

"The utilization of authorization shall be exercised with the prior concurrence of the Advisory Committee on Administrative and Budgetary Questions when the total amount utilized exceeds 6 million dollars per year";

(d) To request the Secretary-General to report to the General Assembly in the context of the performance reports.

Annex I

Modalities for the Secretary-General's limited discretion for budgetary implementation

1. In accordance with the request of the General Assembly for full accountability and transparency, clear records of requests and reporting on the application of limited budgetary discretion are necessary.

2. In this connection, requests for the application of limited budgetary discretion mirror the procedures followed for actions taken under the provisions of the General Assembly resolution on unforeseen and extraordinary expenses. Accordingly:

(a) Requests are to be submitted to the Executive Office of the Secretary-General and, as deemed necessary, to the Management and/or Policy Committees, for overarching policy consideration and approval in principal;

(b) Detailed resource submissions are to be submitted to the Controller for review following established budgetary procedures and to ensure availability of funding and preparation of relevant exchange of letters with the Secretary-General for his/her approval on the use of the funds and flexibility;

(c) Full reporting on the implementation of limited budgetary discretion is to be submitted to the General Assembly in the context of the first and second performance reports.

Annex II

Utilization of the limited discretion for budgetary implementation by budget section

Information on the utilization of the limited budgetary discretion is detailed by budget section for the bienniums 2006-2007, 2008-2009 and 2010-2011 in tables 1 to 3 below.

Table 1
Use of limited discretion during 2006-2007
(Thousands of United States dollars)

	Use of limited discretion	
Budget section	*Influenza pandemic*	*Fire code compliance*
17. Economic and social development in Africa	23.1	—
18. Economic and social development in Asia and the Pacific	93.8	—
20. Economic and social development in Latin America and the Caribbean	359.2	—
21. Economic and social development in Western Asia	57.0	—
27. Public information	92.5	(3 500.0)
28A. Office of the Under-Secretary-General for Management	398.1	—
28C. Office of Human Resources Management	956.9	—
28D. Office of Central Support Services	1 603.8	—
28E. Administration, Geneva	557.4	—
28F. Administration, Vienna	530.0	—
28G. Administration, Nairobi	611.6	—
32. Construction, alteration, improvement and major maintenance		3 500.0
33. Safety and security	(5 283.4)	—
Total	—	—

Table 2
Use of limited discretion during 2008-2009

(Thousands of United States dollars)

		Use of limited discretion		
Budget section		*Enterprise resource planning system*	*Influenza pandemic*	*Business continuity management*[a]
2.	General Assembly and Economic and Social Council affairs and conference management	(1 382.0)	(422.2)	
5.	Peacekeeping operations			(1 600.0)
9.	Economic and social affairs			(1 500.0)
17.	Economic and social development in Africa		215.8	(925.8)
20.	Economic and social development in Latin America and the Caribbean		25.5	
21.	Economic and social development in Western Asia		8.3	(800.0)
23.	Human rights		(2 000.0)	
27.	Public information	(1 382.0)	18.0	
28A.	Office of the Under-Secretary-General for Management	2 329.5		
28C.	Office of Human Resources Management		232.4	2 132.1
28D.	Office of Central Support Services	434.5	1 438.7	465.3
28E.	Administration, Geneva		21.7	471.4
28F.	Administration, Vienna		150.3	
28G.	Administration, Nairobi		311.5	529.9
33.	Safety and security			418.1
36.	Office of Information and Communications Technology			809.0
	Total	—	—	—

[a] It should be noted that an amount of $1,308,100 borrowed from posts has been redistributed within the same sections, namely section 17, Economic and social development in Africa ($676,100), section 18, Economic and social development in Asia ($86,400), section 20, Economic and social development in Latin America and the Caribbean ($236,000), section 21, Economic and social development in Western Asia ($213,700), and section 28F, Administration, Vienna ($95,900).

Table 3
Use of limited discretion during 2010-2011

(Thousands of United States dollars)

Budget section	*Use of limited discretion*				
	Strengthening of the Office of Legal Affairs	*Extension of ad litem judges of the Dispute Tribunal*	*Strengthening of the Administrative Law Section*	*Reconstruction of ECLAC premises*[a]	*Total limited discretion*
1. Overall policymaking, direction and coordination	—	2 038.2	—	—	2 038.2
3. Political affairs	—	(1 019.1)	—	—	(1 019.1)
5. Peacekeeping operations	(826.6)	—	(518.9)	—	(1 345.5)
8. Legal affairs	577.2	—	—	—	577.2
17. Economic and social development in Africa	—	—	—	(3 585.1)	(3 585.1)
21. Economic and social development in Western Asia	—	—	—	(968.9)	(968.9)
28C. Office of Human Resources Management	—	—	518.9	—	518.9
28D. Office of Central Support Services	249.4	—	—	—	249.4
33. Construction, alteration, improvement and major maintenance	—	—	—	5 522.9	5 522.9
34. Safety and security	—	(1 019.1)	—	(968.9)	(1 988.0)
Total	—	—	—	—	—

[a] Does not reflect insurance reimbursements of $1,785,000 that were redistributed back to releasing sections.